USDA Agricultural Marketing Service
U.S. DEPARTMENT OF AGRICULTURE

AMS Transportation and Marketing Program

Grants and Cooperative Agreements Risk Management Policy

This document is the U.S. Department of Agriculture (USDA) Agricultural Marketing Service (AMS) Transportation and Marketing Program (TM) Risk Management policy for grants and cooperative agreements. It is aligned with and responsive to requirements that Federal agencies establish and maintain risk assessment policies for Federal awards (2 CFR 200.206), and related subawards (2 CFR 200.331). This framework emphasizes AMS TM's commitment to proactive and responsible management of award funds, ensuring accountability to taxpayers, and the effective achievement of program goals.

PURPOSE AND SCOPE

This policy reflects AMS TM's framework for identifying, assessing, mitigating, and monitoring risks throughout the federal award lifecycle. Its intent is to ensure award funds are used efficiently and effectively to achieve program objectives, while safeguarding against waste, fraud, and abuse. AMS TM will continue to promote a culture of risk awareness and proactive management among all staff involved in award administration; the policy applies to all award programs AMS TM administers.

PRINCIPLES

Proactive Risk Management: Forward-looking employee practices to identify and address potential risks before they escalate.

Risk-Based Approach*:* Prioritizing monitoring and oversight activities based on the level of risk associated with each award and recipient.

Transparency and Accountability*:* Maintaining open and clear documentation throughout the award lifecycle to demonstrate responsible stewardship of federal funds.

Continuous Improvement: Regularly reviewing and adapting risk management strategies based on lessons learned and changes in the federal funding environment.

AMS TM is committed to the administration of federal assistance in the form of grants and cooperative agreements using a risk-based approach whenever possible to ensure proper stewardship of federal funds. In identifying, characterizing, assessing, and mitigating risk, AMS TM conducts risk management activities during multiple stages of the award lifecycle. These activities may be at specific stages, such as prior to awarding a new grant, periodic or ongoing management of the award, as well as during closeout. Our processes intend to identify potential vulnerabilities and implement appropriate oversight and mitigation strategies to manage them.

AMS TM is dedicated to managing risk at appropriate levels, accepting or allowing certain levels of risk based on the nature of the programs, and as necessary, reducing risk across its programs, within a given grant program or related to individual recipients. This reflects AMS TM's adaptive risk management framework and strategies that recognize the distinct characteristics and risk profiles of each program.

APPENDIX A

KEY FEATURES OF RISK MANAGEMENT

Risk Identification and Assessment:

- Evaluating potential recipients' financial stability, internal controls, performance history, compliance history, and organizational capacity before awarding funds.
- Assessing the likelihood and impact of potential risks, including those related to financial mismanagement, non-compliance, cybersecurity, fraud, and data security.

Risk Management, Including Supportive Internal Controls:

- Defining strategies to mitigate/reduce, share, avoid, or transfer risk and working with recipients on the use and periodic assessment of the strategies' effectiveness.
- Implementing robust internal controls at the agency level to reduce risk factors.
- Requiring and testing for grantee controls including policies and procedures the grantees have in place to monitor subrecipient controls.
- Supporting the review and adjustment of controls as needed to maintain their effectiveness.

Monitoring and Oversight:

- Developing monitoring plans based on the assessed risk level, such as conducting regular financial and performance report reviews, site visits, virtual desk reviews, and use of data analysis to identify potential fraud risks.
- Offering technical assistance and guidance to recipients to enhance their financial management, compliance, and performance and financial reporting capabilities.
- Establishing clear procedures for addressing instances of non-compliance, ranging from recipient technical assistance to special award conditions, corrective action plans, suspension, or termination of the award in severe cases.

Risk Culture:

- Encouraging identification, assessment, and management of potential risks at appropriate levels, as well as open discussion about program and project-level management and trends.
- Providing training for all federal and recipient staff on federal guidelines, regulations, auditing standards, and award management software.
- Leveraging technology solutions, such as award management software, to streamline tracking, reporting, and data analysis.
- Utilizing federal guidance and resources on enterprise risk management, such as from OMB and GAO, to inform risk management practices, and similarly, engaging with external experts and professional organizations to access specialized knowledge and best practices.

MAJOR ROLES AND RESPONSIBILITIES

Senior Executives and Division Directors: Setting the tone for a risk-aware culture; periodically discussing key risks and associated appetite and tolerance for them, with regular communication loops to those involved in the day-to-day management of risks.

Supervisors and Staff Managing Grants: Implementing and adhering to the risk management policy and associated procedures, from internal assessments to external technical assistance.

Internal Audit and Compliance Professionals: Providing independent oversight, conducting audits, and partnering on ensuring AMS TM's effectiveness in managing grant and cooperative agreement risk.

Broader Community: Identify/escalate risks promptly and appropriately.

APPENDIX B

EXAMPLES OF GRANT AND COOPERATIVE AGREEMENT INTERNAL CONTROLS

Segregation of Duties: Responsibilities for actions and approvals are clearly designated and utilize organizational reporting hierarchies.

Examples:

- Dual approvals for grant awarding and processing payments and prohibit a single person from initiating and approving the same transaction.
- Review and approvals are divided across multiple people and departments to embed grant review processes that reduce risk of errors and fraud.

Policies and Procedures: Clearly documented policies and procedures that ensure sufficient standardization with annual or other time-based training, that include repositories of guidance to ensure compliance with regulations.

Examples:

- Terms and Conditions that directly align with 2 CFR 200 and have additionally integrated Grants Division and AMS TM guidance that went through a specific clearance process to ensure accuracy and completeness.
- Cyclical updates of policies and procedures (such as Standard Operating Procedures) to ensure enduring comprehensiveness and change according to issues that the grant programs find.

Monitoring: Steps in staff work processes and operating systems that articulate and document approvals, authorizations, verifications, reconciliations, corrective actions, and/or related tracking to ensure compliance and to pinpoint instances of potential non-compliance.

Examples:

- Review of user access to systems used, for example GrantSolutions. Involves periodic evaluation to ensure users have the correct role permissions and to prevent unauthorized access.
- Percentage of high-risk recipients or subrecipients monitored annually for compliance checks, tracking of time to close corrective actions and findings from site visits and desk reviews.

Document Control: Documents are created, reviewed, approved, and maintained in a manner that ensures authenticity, accuracy, and accessibility; validates sufficient performance and allowability of costs; and reasonably demonstrates that improper payments are not made.

Examples:

- Recipient and subrecipient time and attendance records are in compliance with time and effort reporting requirements, including segregation of duties between employees and managers.
- Repository of allowable documents as well as examples of those reflecting suspected fraud, to support detection, comparison, and sharing across grant programs.
- Gathering reliable financial and project data to support decisions and reporting.

Standardized Risk Assessments: Identified risk factors, risk tolerance, and scoring tools to initially assess and continually monitor project risk and program status. Designed mitigating control methods.

Examples:

- Ensuring financial health by reviewing recipient and subrecipient financial statements.
- Strengthening eligibility requirements to reduce misuse of grant funds that can cause fraud, waste and abuse.
- Reviewing applicant internal controls and history of use.

Procurement Controls that Enforce Documentation and Proper Competition: Procurement policy that requires competitive processes; and internal policies that ensure compliance with policies/ regulations related to procurement and that identify, prevent, and reduce improper payment/fraud waste and abuse.

Examples:

- Recipient maintains conflict of interest policy documents.
- Quotes and/or bid documents are verifiable and meet preponderance of evidence.